

# The CECOM Approach — Performance-Based Service Acquisitions

Bob Tiedeman

**T**he U.S. Army Communications-Electronics Command (CECOM) Acquisition Center was designated as a Service Contracting Center of Excellence for Major Systems in December 2000. Citing its reputation as a proactive leader in innovative business solutions, the U.S. Army Materiel Command (AMC) sought an agent that could revolutionize the Army's service contracting practices by focusing on the efficiency and effectiveness of its acquisition business processes.



Fibertek® Inc. engineers complete the final assembly stage on a Compact Laser Designator Rangefinder (CLDR). The CLDR was developed under CECOM's Night Vision Low-Tech (NVLT) Program.

In concert with the administration's efforts to further reduce the size of government, and recognizing its own increased reliance on service contracting to meet its mission responsibilities, the CECOM Acquisition Center developed a plan to address the trends in service contracting. Those trends, marked by significant increases in expenditures and mission reliance, were driven home by heightened visibility in Congress. By 2001, the Congress' General Accounting Office (GAO) issued *Report GAO-01-295* citing that DOD spent more than \$87 billion dollars in

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2000 for its service contracts, accounting for 43 percent of all contracting expenses. At CECOM, many of these expenses are funded through its Operations and Maintenance Army appropriation.

To meet the challenges associated with these trends, the CECOM Acquisition Center partnered with other organizations within the CECOM community to implement its plan to increase the efficiency and effectiveness of service contracting practices and processes. First and foremost, the plan

required the early involvement of senior leaders from throughout CECOM, especially its requirements community. To that end, a Technical-Requirements Executive Steering Committee (TESC) was established early in FY00.

The TESC consisted of senior leaders representing the CECOM Acquisition, Logistics Readiness and Software Engineering Centers, Office of Command Counsel, Information Systems Engineering Command and Deputy Chief of Staff for Operations and Plans. Although TESC was disbanded in 2001, it successfully furthered the "cultural" changes on which fundamental reform of CECOM's service contracting procedures depended. More importantly,

TESC served to establish open communication between the requiring and contracting communities so that new approaches to service contracting could be proliferated throughout the CECOM community.



Close-up view of CLDR circuitry.

With the cultural change generated by the TESC underway, a CECOM Command Policy Memorandum was issued in March 2001. The policy established the CECOM Opportunities Page (OP) that helped coordinate requirements and avoid duplicative efforts with respect to both contracting efforts and mission fulfillment efforts. The policy mandated that all CECOM activities submit their service requirements exceeding \$250,000 through the OP for review purposes and not directly to the Acquisition Center for action.

In April 2002, this dollar threshold was reduced to \$2,500, thereby broadening the initiative's scope. The OP gave senior leaders a means to exploit CECOM's organic capabilities and served as an advertising tool. This increased awareness of planned and ongoing efforts and/or pre-existing contractual instruments by which activities might satisfy their various support services requirements. This awareness obviated the possibility that contracts for mission-related efforts would be duplicated. More importantly, it promoted a fundamental change in the way the CECOM community satisfied

its requirements for services and how the CECOM Acquisition Center processed those requirements.

CECOM's plan to revolutionize its service contracting processes would require reeducating and retraining its workforce. Performance-based service acquisitions involve strategies, methods and techniques that describe and communicate measurable outcomes rather than direct performance processes. Performance-based service acquisitions are structured around a service requirement defined in terms of performance objectives. It also provides contractors the latitude to determine how best to meet those objectives, thereby fostering innovation and a more consensual approach to problem solving. This approach represents a marked departure in the way requirements are set forth and how those requirements are translated into actual contracts.

Almost immediately after its designation as a Service Contracting Center of Excellence, the CECOM Acquisition Center began the process of reeducating and retraining its workforce on performance-based service acquisition techniques. Acquisition Reform Week, sponsored by AMC in May 2002, provided a venue to "get the word out." Shortly thereafter, Acquisition Center personnel completed the online Performance-Based Service Acquisition course developed by the National Contract Management Association. Acquisition Center personnel also completed a number of in-house training events during the ensuing

months. In June 2002, the Acquisition Center hosted AMC's Innovative Business Advocate Conference that focused on implementing and proliferating performance-based service acquisition techniques. Representatives from AMC headquarters and its major subordinate commands attended the conference.

The CECOM community remains committed to educating and training its workforce to advance performance-based service acquisition tools and techniques. This, along with cultural change, will yield greater efficiencies and effectiveness and result in better value to the govern-

ment. It is essential that all stakeholders be involved in the cultural changes necessary for this revolutionary change in service acquisitions. While support activities and acquisition personnel have been involved in this cultural change, so have industry personnel.

CECOM recognized the importance of involving its industry partners early in its planning. Senior leaders and managers sought industry best practices and small business involvement when it developed its strategies to implement performance-based service acquisition tools and techniques. They also saw this initiative as part of a broader, ongoing effort to improve overall acquisition practices. To this end, the CECOM community engaged its industry part-

ners in "Industry Days" so that planned acquisition opportunities could be discussed and market conditions could be assessed.

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The lead electrical and optical engineers field-test the CLDR at Fort A.P. Hill, VA.

One-on-one conferences were conducted so that CECOM and its partners could tailor strategies based on experience, market research and program risk. During these events, performance incentives were developed so that the government could expect high quality and economic efficiency, and industry could expect maximum profit. The use of draft solicitations and performance work statements was institutionalized so that performance objectives, standards and incentives were incorporated into requirements documents and resultant contracts.

While there are many examples of success throughout the CECOM community, two high-dollar, high-visibility programs stand out as a testimonial to its successful implementation of performance-based service acquisitions. CECOM's NVLT and Omnibus Support (OS) programs have produced significant rewards and benefits for the government and industry alike. The NVLT program resulted in two contracts awarded in July 2001 to two small business concerns — Fibertek Inc. and EIO-R. Excessive government control and nonvalue-added process approval mechanisms related to contractors' performance were eliminated in both contracts. This fostered contractor innovation and eliminated costs and delays associated with government approval of contractors' processes. Both contracts incorporate contractor-proposed evaluation metrics that can be easily evaluated

and duly rewarded throughout the contract performance period.

The OS program, which will provide support to the CECOM Software Engineering Center's (SEC's) various mission responsibilities, resulted in two contracts awarded in October 2001 to iTel Solutions Inc. and Litton, now part of Northrop Grumman Corp. These contracts, like those for the NVLT program, eliminate unnecessary government control and process-prescriptive mandates that stifle innovation and efficiency. Also like NVLT program contracts, these contracts include measurable metrics by which the government can assess contractors' performance. In this specific case, the metrics are standardized. To ensure that appropriate metrics are included in any resultant task order, SEC engineers use a matrix of these standard metrics to assess their suitability for a particular effort. If an engineer intends to use metrics not included in the matrix, the SEC director's approval is required. Standard metrics matrix use provides discipline and rigor to the process of developing the Acquisition Requirements Package, which is then subject to review by SEC managers and leaders.

The most innovative concept in these OS contracts is the "award term" incentive. This incentive rewards excellent performance by extending the period of performance and is granted based on the standard metrics discussed

above. Simply stated, this translates into greater profits for the contractors. It also enhances a contractor's past-performance record, a record that can affect a contractor's future government opportunities. Most importantly, this sort of incentive fosters managerial effectiveness and improves communication between the parties throughout performance and performance evaluation.

This new strategy has already produced favorable results, ensuring that CECOM meets or exceeds Office of Federal Procurement Policy goals that mandate 50 percent of all service dollar obligations are performance-based by FY05.

The use of performance-based service acquisition tools and techniques has resulted in more cost-effective contracting, better value to the government and greater competition in the industrial sector. It has shifted performance risk from the government to its contractors and, ultimately, rewards those contractors who manage risk best. It has enabled the government to adopt commercial best practices and obviated the government-unique, stovepiped process controls formerly used to manage contractor performance. Additionally, it has institutionalized a means to evaluate and assess process improvements on a continuous basis. Most importantly, it has served to further the goals of acquisition streamlining and the *President's Management Agenda*.

**BOB TIEDEMAN** is a Procurement Analyst in the Acquisition Center at CECOM, Fort Monmouth, NJ, where he has been employed since 1980. He holds a B.A. in English and is an Army Management Staff College graduate. He is an Army Acquisition Corps member, is Level III certified in contracting, holds an unlimited Contracting Officer's warrant and has served in a variety of acquisition positions.